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Personal and ConfidentialAnthem 

VIA FACSIMILE AND REGULAR POSTAL MAIL

August 20, 2001

Mr. William L. Jews  
President and Chief Executive Officer  
CareFirst, Inc.  
10455 Mill Run Circle  
Owings Mills, MD 21117-4208

Dear Bill:

I am writing to reiterate Anthem's continued strong interest in affiliating with CareFirst and to again request that CareFirst allow Anthem to participate in your ongoing process.

In your letter dated March 7, 2001, you cited two primary reasons for excluding Anthem from your existing process: i) the timing and uncertainty of our demutualization relative to the timing of your process; and, ii) Anthem's ability to consummate a transaction with CareFirst in a timely manner. We have consistently expressed our confidence that neither concern would negatively impact Anthem's ability to consummate an acquisition of CareFirst in a timely manner. I would like to reiterate the recent developments at Anthem, which I shared with you and the BCBSA last week, because they will dispel those concerns entirely.

**Anthem's Demutualization Process:** On August 16, 2001, Anthem filed its registration statement on Form S-1 with the SEC for the planned demutualization and initial public offering. The official filing follows several rounds of comments and responses between the SEC and Anthem as part of its confidential submission process, so we are quite confident of our ability to get formal sign-off from the SEC in a timely manner. We have received informal sign-off from the Indiana Department of Insurance on our Plan of Conversion and we continue to be on track for final approvals early this fall. We anticipate that we will launch the IPO road show in early October and have the transaction priced and closed



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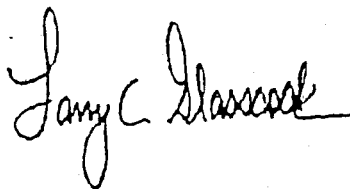
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by the end of October. We have already secured commitments from underwriters for the IPO, none of whom have expressed any concerns regarding the timing or certainty of completing the demutualization and IPO in the timeframe contemplated.

*Anthem's Ability to Finance An Affiliation:* Anthem is in the process of finalizing a \$750 million credit facility with the possibility of the commitment ending up closer to \$1 billion when we complete the process. The new credit facility when combined with our \$2+ billion of surplus confirm our ability to fully fund an affiliation with CareFirst for cash in a timely manner with a high degree of certainty, should cash be a more attractive currency to your constituencies.

Bill, in past communications, you have stated that maximizing value for stakeholders and certainty of execution were two primary objectives for you and your Boards. As we have consistently stated, we fail to see how excluding Anthem from your process is consistent with the first. As to certainty, Anthem's demutualization process is on track to be completed well in advance of the time it would take for CareFirst to secure all of the necessary approvals to proceed with its conversion and strategic plans. I hope that these positive developments and our continued expressions of interest will convince you and your Boards to reconsider and permit Anthem to either participate in your current process or to pursue a parallel path of discussions with you and your Boards.

Sincerely,



Larry C. Glasscock

LCG:lsm

cc: Daniel J. Altobello